

Message Text

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PAGE 01 ALGIER 02795 051336Z
ACTION NEA-10

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E. O. 11652: N/A
TAGS: ENRG, AG
SUBJ: LNG PRICING BY ALGERIA

REF: STATE 258310

1. DEPARTMENT OF ENERGY'S ATTENTION IS CALLED TO "LE PETOLE ET LE GAZ ARABS" (PUBLISHED BY THE CENTRE ARABE D'ETUDES PETROLIERES, 7 AVE INGRES, 75781 PARIS CEDEX 16, FRANCE) ISSUES NOS. 204 SEPT 16, 1977 AND 207 NOV. 1, 1977. ISSUE 204 INCLUDES INTERVIEW WITH SONATRACH VP AIT LAOUSSINE IN WHICH HE DISCUSSES THE PRICING FORMULA. ESPECIALLY INTERESTING IS FOOTNOTE 4 AT BOTTOM OF PAGE 22. ISSUE 207 DEVOTES PAGES 8 AND 9 TO ITALIAN CONTRACT.

2. FOR BENEFIT OF THOSE ADDRESSEES WHO DO NOT SUBSCRIBE TO PGA, EMBASSY'S TRANSLATION OF RELEVANT PARAGRAPHS FOLLOWS:

A. ISSUE 204, P. 22, FOOTNOTE 4: "FOR THE AMERICAN CONTRACTS, THE INDEX IS CONSTITUTED 50/50 BY NO. 2 FUEL OIL AND NO. 6 FUEL OIL (CORRESPONDING TO EUROPEAN "GAS OIL"). FOR THE "EUROPEAN" CONTRACTS THE INDEX CONSISTS OF LOW SULPHUR FUEL OIL (LE FUEL A BASSE TENEUR EN SOUFRE) AND NORMAL SULPHUR FUEL OIL (LE FUEL A TENEUR NORMALE
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EN SOUFRE) -- IN PRINCIPLE SEVENTY PER CENT FOR THE TWO -- WITH THE REMAINING THIRTY PER CENT BEING "GAS OIL", BUT THE PROPORTIONS VARY SLIGHTLY FROM ONE CONTRACT TO ANOTHER."

B. ISSUE 207, P.8, PARA 4 AND 5: "THE CONTRACT CONCLUDED BETWEEN SONATRACH AND ENI FORESEES THE DELIVERY OF 300 BILLION CUBIC METERS OF ALGERIAN GAS TO ITALY SPREAD OVER 25 YEARS. THE ENTRY INTO SERVICE OF THE PIPELINE IS ESTIMATED AT END 1981, BUT IT ISN'T UNTIL

1985 THAT DELIVERIES WILL ATTAIN THE FULL RATE OF 12.4 BILLION
M3 PER YEAR.

"ON THE BASIS OF THE FOB PRICE AT THE TUNISIAN FRONTIER, INDEXED
ON THE PRICES OF LOW AND NORMAL SULPHUR FUEL OILS AND GAS OIL ON
TH EUROPEAN MARKET, ALGERIA ESTIMATES THAT THIS CONTRACT WILL RESULT
IN REVENUES OF \$600 MILLION PER YEAR."

3. EMBASSY COMMENT: WE HAVE CHECKED THIS WITH OUR EUROPEAN COLLEA-
GUES, AND, WHILE WE ARE ONLY EMBASSY THAT ACTUALLY HAS DETAILS OF
GAS CONTRACTS (FOR WHICH WE ARE GRATEFUL TO FPC), THEY CONFIRM THAT
ABOVE DESCRIBED INDEXING FORMULA CONSISTENT WITH THEIR UNDERSTANDING.
GRANTED THAT FIGURES CITED PARA 2.B. ABOVE ARE ROUNDED, DERIVED
PRICE FROM THOSE FIGURES FOR THE ITALIAN DEAL OF APPROX \$1.28 PER
MILLION BUT (E.E., SOMETHING LESS THAT \$1.30) ALSO CONSISTENT WITH
OUR COLLEAGUES' UNDERSTANDING.STEPHAN

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